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findings

INFORMING CHANGE

Monitoring housing and neighbourhoods trends 2006

The New Policy Institute has produced a wide-ranging statistical analysis of the current state of housing and neighbourhoods in the United Kingdom.

On housing, the analysis covers availability, affordability, unmet need, security of tenure and environmental impact.

- Household numbers have been growing at a much faster rate than the population. Since 1991, the number of new dwellings has – nationally – broadly kept up with household growth but meeting projected future growth will require a substantial increase in the rate of house-building.
- Judging whether shortages exist in particular areas is difficult because of data limitations and because any shortages will mainly result in people sharing with others (including their parents). However, London and the South of England appear to have the greatest shortfall of dwellings.
- The number of new affordable homes being built is now increasing from very low levels, but remains well below even the limited targets set out in the 'Barker' report.
- Mortgage costs for first-time buyers have now reached their 1990 peak. A third of all working households under 40 cannot afford to buy even at the low end of local housing markets.
- At around half a million households, non-take-up rates of Housing Benefit have doubled since 1997.
- The use of temporary, rather than permanent, accommodation for homeless people in England has more than doubled since 1997.
- The broad picture on various measures of the quality of homes is one of steady, substantial improvement since the mid-1990s.

On neighbourhoods, the analysis covers both neighbourhoods as a place to live and the local picture in terms of concentrations of disadvantage in small areas.

- Most people have positive views about their neighbourhood. Perceptions that there are serious problems are more prevalent in deprived than non-deprived areas, with traffic a notable exception.
- Whilst most people believe that crime is rising, both crime rates themselves and levels of worry about being the victim of crime have been falling.
- For both owner-occupiers and social renters, reported rates of participation in social, political, cultural or community organisations have fallen over the last decade.
- Among low income people of working-age, those who are disabled are more geographically spread-out than those who are not disabled, with low-income pensioners still more geographically spread out.

JOSEPH ROWNTREE FOUNDATION

Housing

Supply and suitability

Box 1: Dwellings and households

In line with official Government housing statistics:

- A 'household' is a single person or group of people living at the same address who share common housekeeping or a living room.
- A 'dwelling' is a self-contained unit of accommodation (including the basic facilities of kitchen, bathroom and toilet) which has its own front door.

A dwelling can therefore be occupied by a single household or by a number of households which share at least one of the basic facilities but do not share living accommodation.

For many decades, the number of households has been growing much more quickly than the number of people. Since 1971, the number of households in Great Britain has risen 35%, from 18$^1/_2$ million to 25 million in 2006. Over the same period, the population has risen just 8%, from 54$^1/_2$ million to 58$^1/_2$ million. These trends are forecast by the Government to continue. These very different rates of growth are due to a big rise in the number of single-adult households, particularly among those of working age.

The question of what has happened to the number of households compared with the number of dwellings is at the very heart of housing policy. Over the post-war decades to 1981, the number of dwellings grew a little ahead of household growth. In the 1980s, the rate of new building fell behind household growth.

Since 1991, the number of households and the number of dwellings in England have both been growing by around 150,000 per year. Importantly, however, the number of households is projected to grow at around 220,000 per year between 2006 and 2021. This would seem to require a substantial increase in the rate of house-building.

After taking account of vacant dwellings and second homes, there appears to be a net deficit of dwellings across the South of England.

There are, however, considerable uncertainties when measuring household/dwelling balances. This is partly because of imperfections in the data, particularly important when monitoring a small difference between two very large numbers. Furthermore, any shortages will mainly result in people continuing to live with their parents or sharing with others (typically meaning that they do not count as a separate 'household') rather than showing up as a clear deficit of dwellings compared with households.

70% of households now live in dwellings above the dated 'bedroom standard', and half of all new dwellings have three or more bedrooms. However, whilst norms in terms of number of bedrooms have been rising, norms in terms of total floor space have not. So, for example, the average total floor space of new dwellings in England is no bigger than that for older dwellings. Furthermore, whilst dwellings in England have on average the same number of rooms as those in the European Union as a whole, both the average room size and total average floor space are smaller than in nearly all other EU countries.

Affordability

As a share of disposable income, housing costs are much higher for people on low incomes than for others: on average, they comprise 25% of net household income for the poorest fifth of the population compared with 15% for those on average incomes and 10% for the richest fifth.

Overall, housing costs as a proportion of income are slightly lower than a decade ago. Beneath this overall picture, however, the outcome looks a lot less benign for some groups. Rents in both the social and private rented sectors have been rising in line with earnings and are therefore no lower as a proportion of income now than a decade ago. In both cases, rents as a proportion of income are higher in London and the South East – in the case of private sector rents, much higher – than elsewhere in the country.

Housing costs have risen most sharply for first-time buyers: their average mortgage costs are now a third of average earnings – the same as the previous peak recorded in 1990 (see Figure 1). This percentage varies markedly across the country, reaching 40% across the South of England compared with 25% in Scotland. As a consequence, the percentage of younger working households (aged under 40) unable to buy a home even at the low end of the market ranges from 20-25% in Scotland and the North of England to almost 50% in London and the South of England.

There is, of course, a strong link between housing tenure and income, with only 10% of households in the richest fifth of the population living in rented accommodation (almost all of them in the private rented sector) compared with almost 50% in the poorest fifth. But that still leaves more than 50% of the poorest fifth of households owning their homes. Half of low-income home-owners, mostly pensioners, own their properties outright; the other half have a mortgage, with mortgage costs representing a third of their disposable income on average.

Unmet housing needs

Measured against the bedroom standard, around 2$^1/_2$ million people (600,000 households) in Great Britain are living in overcrowded conditions, similar to the number a decade ago. Although the problem is worst in London, the prevalence among families of five or more is high everywhere – 20% on average, rising to nearly 30% in London.

A larger problem, linked with overcrowding, is households whose current housing does not meet their needs. Around a million households in England – 5% of all households – are judged to be in need of subsidised housing, including social renters in unsuitable accommodation and households currently without self-contained accommodation at all. Furthermore, this number is growing by almost 50,000 a year because of demographic trends.

Yet the number of new homes currently being built to meet this need, for rent or low-cost home-ownership is, at 35,000 in 2005/06, much lower than the level that Kate Barker, in her report commissioned by the Government, estimated was necessary simply to keep up with demographic trends (48,000 dwellings per year), never mind deal with the million backlog. It is also only half the rate at which such dwellings were being created in the early 1990s (see Figure 2).

Between 150,000 and 200,000 households are newly accepted as homeless each year in England alone. Though highest in the capital, London in no way stands out in England for its rate of homelessness, with high rates too across the North and the West Midlands. Around two-thirds of those accepted as homeless are provided with accommodation; the other third are not. For those provided with accommodation, the use of temporary (rather than permanent) accommodation has more than doubled since 1997, with 100,000 households in England in temporary accommodation at the start of 2006 compared with 40,000 in 1997.

Insecurity

Court orders for repossession have been rising sharply since 2003. This reverses a 15-year downward trend and comes despite a continuing low level of serious mortgage arrears. Only 20% of mortgage holders have a mortgage protection policy, compared with a Government target of more than 50%. The level of Government help with mortgage costs for those who have lost their jobs has also declined substantially over the last decade.

By contrast, both the level of arrears and the number of court actions for eviction by social landlords rose through the late 1990s but have been stable or falling since then. The rise in rent arrears between 1999 and 2001 broadly corresponds to the period when the timely processing of new claims for Housing Benefit deteriorated significantly following the introduction of anti-fraud measures. Although now improving rapidly, the proportion of new claims not processed within 14 days still remains double the Government's target level.

A further related issue for those in rented accommodation is the apparent doubling in the proportion of people not taking up their entitlement to Housing Benefit, from around 6% in 1997/98 to 13% in 2003/04. This is around half a million households. Take-up rates are particularly low among households where someone is in paid work. Most of the decline in take-up rates occurred between 1998 and 2001, when the administrative performance of Housing Benefit was also declining.

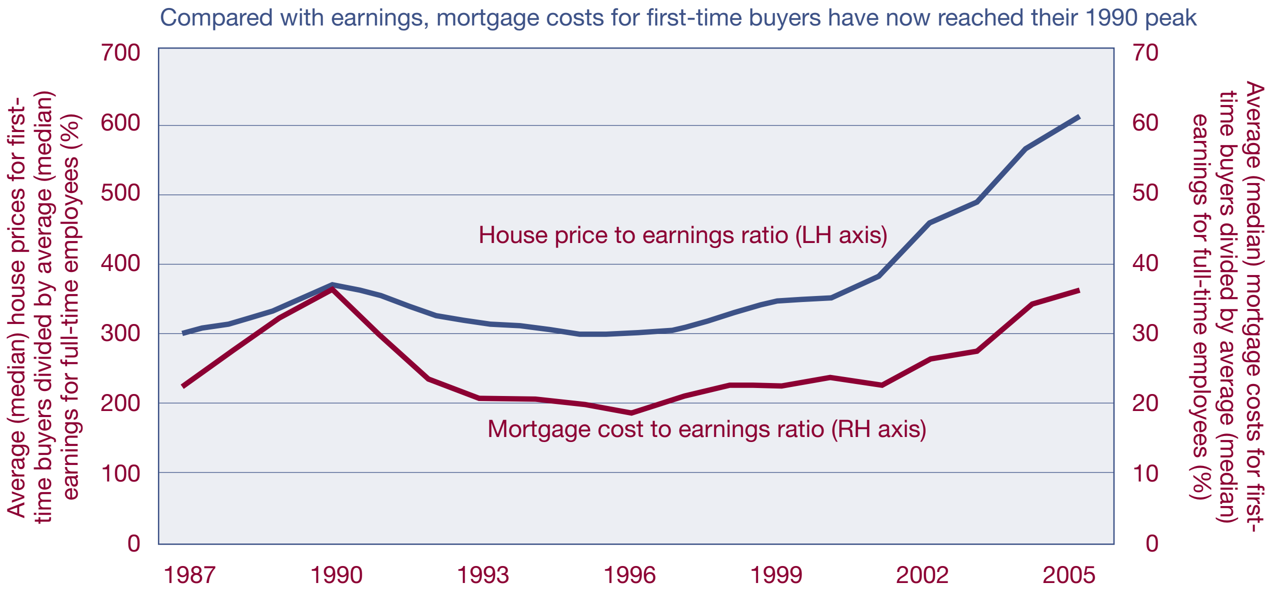
Environmental impact

On a number of measures, the quality of homes shows a broadly steady and substantial improvement since at least the mid-1990s. So, for example, the proportion of homes which fails to meet the Decent Homes Standard fell by a third between 1996 and 2004, as did the proportion which is very energy-inefficient. The number of households suffering fuel poverty fell by three-quarters between 1996 and 2003, although rising energy prices have since reversed that decline.

The likelihood of having an energy-inefficient home is highest among private renters, especially those with a below average income, but is no higher for social renters than for owner-occupiers. Households are only at a high risk of fuel poverty if they both have a low income and live in a very energy-inefficient home.

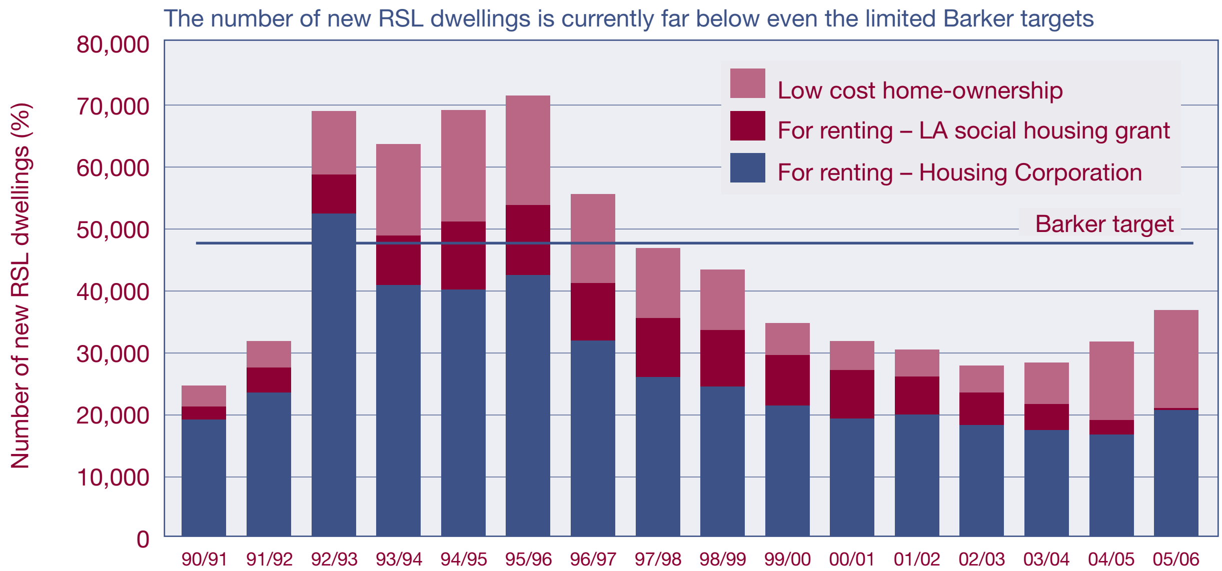
70% of new dwellings are now being built on brownfield sites, up from 55% in 1997 and well in excess of the Government's target of 60%. Similarly, following a Government policy introduced in 2000 to avoid

Figure 1: **Affordability for first-time buyers**



Source: CML Survey of Mortgage Lenders (houseprice) and ASHE (earnings); UK

Figure 2: **Historic rates of new social dwellings**



Source: Housing Corporation annual reports; England

developments of less than 30 dwellings per hectare, the average density of new dwellings has risen from 25 per hectare in 2001 to 42 per hectare in 2005.

Neighbourhoods

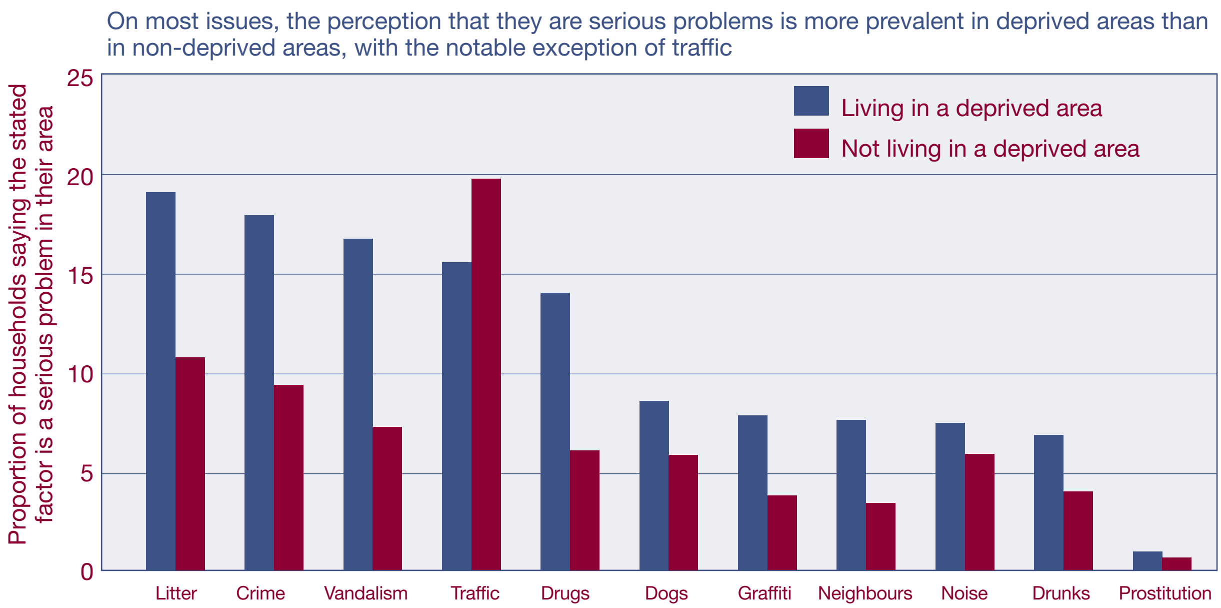
Levels of satisfaction

The vast majority (85%) of households in England say that they are satisfied with their local area. Only 10% express dissatisfaction, a proportion which has changed little over the last decade. For people living in either social rented accommodation or in deprived areas or in London, this percentage rises to around 15-20%. When all three factors are present – i.e. for social renters living in deprived areas in London – the percentage rises to almost 25%.

Although overall levels of dissatisfaction have remained unchanged, two-and-a-half times as many people report that their local area is getting worse as report that it is getting better. On a range of issues, from vandalism and graffiti to traffic and noise, around a third of households think that the issue is a problem in their local area. On most issues, the perception that there are serious problems is more prevalent in deprived areas than in non-deprived areas, with the notable exception of traffic (see Figure 3).

Together, crime and vandalism form overwhelmingly the single most important reason why people say that their local area has been getting worse. Each year, around half of people report that they believe the local crime rate has been increasing, compared with just 10% who believe it has been falling. Yet these beliefs sit uneasily with both national crime statistics – which show that both burglaries and violent crime have fallen by around half since the mid-1990s – and with people's reported levels of worry about being the victim of either a burglary or a violent crime (down by a third since the late 1990s).

Figure 3: **Prevalence of perceived problems in the local area by level of deprivation**



Source: Survey of English Housing, 2004/05, DCLG; England

The proportion of people in England reporting that they have problems reaching a range of essential services, from shops to doctors, does not differ markedly between rural and urban areas. There is, however, a marked difference according to whether or not the household has a car – between just 3% and 5% of those with a car report problems in accessing these services compared with 10% to 20% of those without a car. What really stands out, however, is the difficulty that all groups of people have reaching a hospital, whether urban or rural and whether with or without a car.

Sense of community

Most people have positive views about their neighbourhood. For example, around two-thirds say that they definitely enjoy living in their neighbourhood, with a similar proportion saying that they belong strongly to it. By contrast, less than a tenth say that they do not enjoy living in their neighbourhood, with a similar proportion saying that they do not feel that they belong to it.

Although people living in social rented accommodation are usually more likely than owner-occupiers to hold a negative opinion about their neighbourhood, their views are also still generally positive. Notably, social renters are as likely as owner-occupiers to feel a 'sense of belonging' to their neighbourhood.

Over the last ten years, reported levels of participation in social, political, cultural or community organisations have been falling among both owner-occupiers (below 50%) and social renters (30%). Sports club membership shows a really big difference between the two tenures: 20% of owner-occupiers belong to a sports club compared with less than 10% of social renters, perhaps reflecting affordability issues. By contrast, membership of social groups – such as parents'/school associations, tenant/resident groups, and pensioner organisations – is slightly higher among social renters. And while a third of people report having friends or relatives round less than once a month, the vast majority report regular contact with relatives.

Concentration of disadvantage in small areas

The issue examined here is the degree to which various disadvantaged groups are concentrated in particular small local areas. There is actually very little data available for genuine 'small local areas' (areas smaller than local authority districts) and the subjects covered below more or less reflect the total information currently available.

Low income and worklessness

Three groups of low-income people are considered here: non-disabled people of working-age who are reliant on out-of-work state benefits; disabled people of working-age reliant on out-of-work state benefits; and pensioners reliant on means-tested state benefits. Of the three, the non-disabled people of working age are the most geographically concentrated while the pensioners are the most geographically spread out. More specifically:

- 45% of the non-disabled group live in the fifth of small areas with the highest concentrations of such people. In those areas, they represent 14% of the working-age population.
- 40% of the disabled group live in the fifth of small areas with the highest concentrations of such people. In those areas, they represent 16% of the working-age population.
- 30% of the pensioner group live in the fifth of small areas with the highest concentrations of such people. In those areas, they represent 41% of the older population.

Looking at working-age people in receipt of benefits, the overall patterns of concentration are almost indistinguishable from those in 1999. So, for example, 6,000 of the 7,000 small areas with the highest levels of benefits recipiency in 1999 were still in this group in 2005.

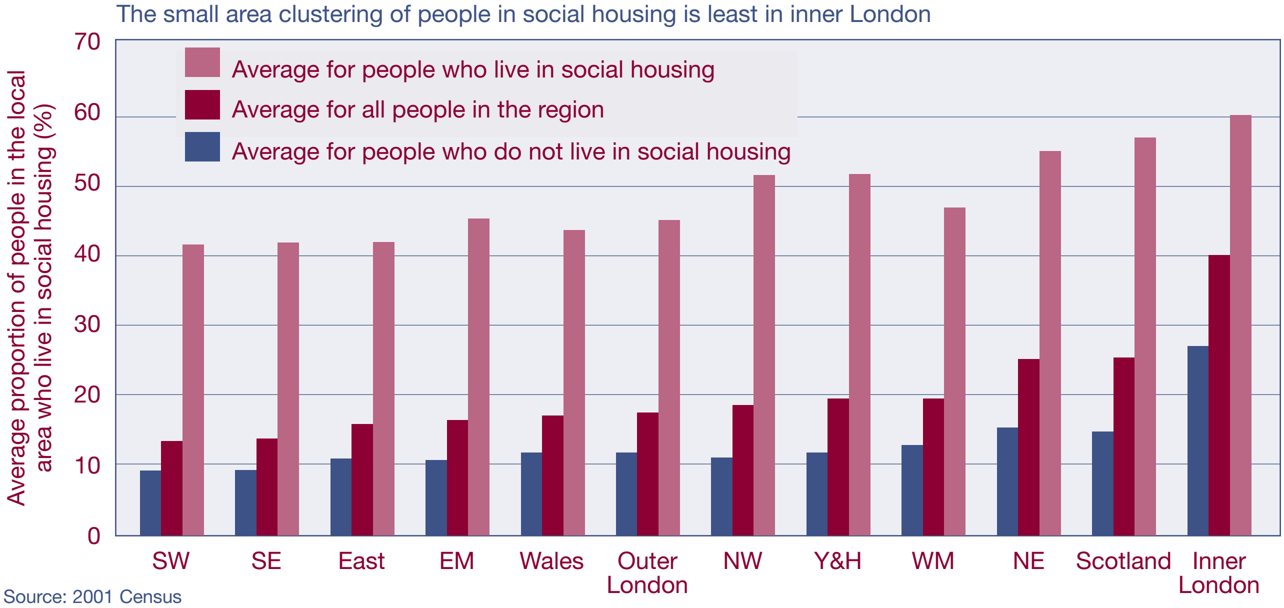
Polarisation of disadvantage

The four groups considered here are: working-age people who are not working; those with a limiting long-term illness; people living in social housing; and people aged 16 to 74 with no educational qualification. Whilst not all such people will necessarily be disadvantaged, they are all conditions in which people are more likely to face disadvantage.

Of these four groups, housing tenure is the most polarised, followed by working-age people not working and people without qualifications. People with a limiting long-term illness are the least geographically concentrated in small areas.

- People living in social housing have, on average, 50% of people in their neighbourhood also living in social housing. For people living in other tenures, on average, 12% of people in their neighbourhood live in social housing. At the regional level, the gap between these two percentages is markedly less (indicative of the lowest levels of concentration) in inner London (see Figure 4).
- Working-age adults who are not working have, on average, 30% of people in their neighbourhood also not working. For those who are working, an average of 22% of people in their neighbourhood are not working. At the regional level, the gap between these two percentages is greatest (indicative of the highest levels of concentration) in Scotland and the North of England.
- People without qualifications have, on average, 40% of people in their neighbourhood having no qualifications. For those with qualifications, an average of 30% of people in their neighbourhood

Figure 4: **Small area concentrations of social housing**



Source: 2001 Census

have no qualifications. Although the overall levels vary between regions, the gap between the two is fairly uniform across the country.

- People with a limiting long-term illness have, on average, 22% of people in their neighbourhood also having such a condition. For those without a limiting long-term illness, an average of 18% of people in their neighbourhood do have such a condition. At the regional level, the gap between these two percentages is markedly greater in Scotland than elsewhere.

Conclusion

This analysis suggests a variety of challenges for future policy, with some of the most important including:

- Responding to the twin challenges of increasing demand for housing and decreasing affordability – overall, for first-time buyers and for those on low incomes.
- Refining the methods for judging and implementing change to address regional and local imbalances between household growth and increases in the housing stock.
- Continuing to improve the delivery of Housing Benefit, including reversing the apparently worsening levels of take-up.
- Understanding why more people think their local area, including local crime levels, is getting worse than think it is getting better.

About the project

The study has involved analysing data from a wide range of sources, including government-funded surveys, some administrative data, and some data from organisations such as the Council of Mortgage Lenders. In all cases, the data used is widely agreed to be the most authoritative source for the subjects being analysed.

For further information

The full report, **Housing and Neighbourhoods Monitor** by Guy Palmer, Peter Kenway and Steve Wilcox, is published by the Joseph Rowntree Foundation.

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